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June 11, 2021

Via SCPSC E-FILING DMS

The Honorable Jocelyn G. Boyd
Chief Clerk/Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: South Carolina Office of Regulatory Staff's Motion to Solicit Comments from Utilities and Other Interested Stakeholders Regarding Measures to Be Taken to Mitigate Impact of Threats to Safe and Reliable Utility Service; Docket No. 2021-66-A

Dear Ms. Boyd:

Please find attached for electronic filing with the South Carolina Public Service Commission ("Commission") a copy of the Initial Comments of Walmart Inc. ("Walmart"), in the above-referenced case. By copy of this letter, I am serving all parties of record via Electronic Mail.

Please contact us if you have any questions concerning this filing.

Sincerely,

SPILMAN THOMAS & BATTLE, PLLC

By

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SUE/sds
Attachments
c: Certificate of Service

BEFORE THE

PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2021-66-A

IN RE:	)	**CERTIFICATE OF SERVICE**
	)	
South Carolina Office of Regulatory Staff's	)	
Motion to Solicit Comments from Utilities and	)	
Other Interested Stakeholders Regarding	)	
Measures to Be Taken to Mitigate Impact of	)	
Threats to Safe and Reliable Utility Service	)	

I hereby certify that I have this day served one (1) copy of the foregoing document upon the following parties to this proceeding via Electronic Mail:

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Dated: June 11, 2021

BEFORE THE

PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2021-66-A

IN RE:	)	
	)	
South Carolina Office of Regulatory Staff's Motion to Solicit Comments from Utilities and Other Interested Stakeholders Regarding Measures to Be Taken to Mitigate Impact of Threats to Safe and Reliable Utility Service	)	**INITIAL COMMENTS OF WALMART INC.**

Walmart Inc. ("Walmart") submits these Initial Comments pursuant to the Public Service Commission's ("Commission") *Order Establishing Docket and Guidelines for Comments by Utilities and Other Interested Stakeholders* issued on March 10, 2021, Order No. 2021-163 ("March Order") and responds to certain topics set forth by the Office of Regulatory Staff ("ORS") in its *Motion to Solicit Comments from Utilities and Other Interested Stakeholders Regarding Measures to be Taken to Mitigate Impacts of Threats to Safe and Reliable Utility Service* filed on February 22, 2021 ("ORS Motion"). Walmart appreciates the opportunity to share its responses to the March Order and the ORS Motion.

INTRODUCTION

In mid-February 2021, a series of severe winter storms ("Winter Storms") swept across the United States. In Texas and surrounding states, the Winter Storms brought with them record-breaking freezing temperatures lasting several days, placing higher-than-normal demand on the electrical grid. A combination of the higher demand coupled with lower-than-expected supply

output and in some cases, complete failure of generation equipment and/or supply, left millions of customers, particularly in Texas, without power for more than a week.

There are many factors that contributed to the power outages in Texas and surrounding states; failures of power plants to produce when called upon, ignored calls to weatherize infrastructure, and a lack of an interconnected grid (in Texas) are all partially responsible. Regardless of the reasons, in the aftermath of the Winter Storms, and in addition to long-term disruptions in power, utilities and customers in Texas and surrounding states faced fuel costs for the Winter Storms that are as much as, if not more than, the amount a utility normally budgets for the entire year.

Commissions in several states have opened dockets to address the impact on customers while allowing utilities to recover their fuel and other storm-related costs. Walmart experienced power outages in several of its facilities that either required Walmart to deploy back-up generation, when available, or temporarily suspend operations for that store and Walmart's ability to provide services to the local community until power was restored. In light of the direct impact the Winter Storms have had on Walmart's operations in these states, Walmart is actively participating in some of these dockets,[1] providing input from the perspective of a large commercial energy user who was impacted by the Winter Storms and associated extraordinary fuel costs.

[1] *In the Matter of an Investigation into the Operations, Procedures, and Performances of the Regulated Utilities During the Winter Weather Event February 2021,* Arkansas Public Service Commission Docket No. 21-036-U; *In the Matter of the Application of Southwestern Electric Power Company for Approval of a General Change in Rates and Tariffs,* Arkansas Public Service Commission Docket No. 19-008-U; *In the Matter of the Application of Oklahoma Gas and Electric Company for Approval of a General Change in Rates, Charges, and Tariffs,* Arkansas Public Service Commission Docket No. 16-052-U; *In Re: Application of Entergy Louisiana, LLC For Recovery in Rates of Costs Related to Hurricanes Laura, Delta, Zeta, and Winter Storm Uri and for Related Relief,* Louisiana Docket No. U-35991; *In the Matter of the Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulatory Utility Consumer Protection Act Approving Securitization of Costs Arising From the Winter Weather Event of February 2021*, Oklahoma Corporation Commission Cause No. PUD 202100072; *Application of Public Service Company of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, Including an Appropriate Carrying Costs, and Such Other Relief as the Commission Deems PSO is*

In response to the Winter Storms and their devastating impact, and at the request of Governor Henry McMaster, this docket was opened for the purpose of receiving input from electric and natural gas utilities operating within the Commission's jurisdiction to address:

> measures that have been, or will be taken, to: 1) mitigate the negative impacts of ice storms and other dangerous weather conditions to the provision of safe and reliable utility service, and 2) ensure peak customer demands on the utility system can be met during extreme weather scenarios.

See ORS Motion at 1.

In particular, ORS filed its motion to assess whether South Carolina's regulated utilities are sufficiently resilient to withstand and, if necessary, restore service quickly from such a devastating winter event. ORS identified eight (8) specific topics including, among other things, how the State's regulated utilities plan to "anticipate, prepare for, adapt to, withstand, respond to, and recover quicky [sic.] from service disruptions" along with the cost impacts to customer bills from increased fuel costs. *See id.* at 4. The Commission instructed regulated electric and natural gas utilities in South Carolina, and permitted other participants in this docket, to provide feedback to the Commission on the topics set forth in both the March Order and ORS Motion, including on resiliency solutions that can help prevent wide-spread power outages in the State of South Carolina during extreme weather conditions. Walmart's Initial Comments focus on how customers can and should be a part of any resiliency solutions.

COMMENTS REGARDING "IDENTIFICATION OF RESILIENCY SOLUTIONS"

South Carolina's utility systems are designed to respond to the more typical, albeit sometimes extreme and devastating, weather events that are not an uncommon occurrence for a

Entitled, Oklahoma Corporation Commission Cause No. PUD 202100076; *Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc., for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulatory Utility Consumer Protection Act"*, Oklahoma Corporation Commission Cause No. PUD 202100079.

coastal area, namely hurricanes and tropical storms. Over the past winter, however, the nation watched as normally hot-weather states like Texas were tested to their limits by record-breaking sub-zero temperatures; *i.e.*, weather conditions for which the region does not typically contend, particularly on the scale of the Winter Storms. The question before this Commission is how -- and to what extent -- the utilities in this State are prepared for atypical events, and, if they are not prepared, what steps can (and should) be taken to ensure these utilities are better prepared.

At its core, system-wide power outages (or rolling black-outs) occur when there is insufficient supply to meet customer demand. One way to address insufficient generation supply – to close the gap between supply and demand – is to have South Carolina's utilities build more generation supply and/or to invest in ensuring that generation supply is available when called upon (*e.g.*, weatherization in the case of cold weather events). While this may well be part of the puzzle, it should not be pursued to the exclusion of other options.

First, through the passage of Act 187 of 2020, the South Carolina General Assembly created the Electricity Market Reform Measures Study Committee, which will examine the costs and benefits of a number of electricity market reform measures, including reliability, resilience, and generator availability. A number of the market reform measures would allow access to a larger and more geographically and fuel-diverse set of generation to be utilized under all operating conditions, and the Commission should include the findings of the study in the consideration of resilience solutions.

Second, an additional and proven method to address capacity shortfall is through demand reduction measures effectuated by customers.[2] The benefits of lowering demand includes a

[2] In Texas, a study based on 2018 data from the Texas Advanced Energy Business Alliance estimated that Distributed Energy Resources could save customers $5.47 billion over ten years in avoided transmission and distribution investment and decreased peak energy costs. *See* Demand Side Analytics, *The Value of Integrating Distributed Energy*

reduced need for additional generation resources to serve load and more efficient use of resources. Encouraging demand response ("DR") and the utilization of distributed energy resources ("DERs") by customers like Walmart not only presents opportunities for cost reduction, but can also provide independent sources of capacity that can operate in conjunction with or independent of the grid as appropriate during times of grid stress and/or extreme weather events.

A. Distributed Energy Resources Provide Grid Resources and Enhance Resiliency.

While the terms DER and DR are often used interchangeably, Walmart is using them here to refer to two different ways to reduce and/or eliminate stress on the grid. The National Association of Regulatory Utility Commissioners ("NARUC") defines DERs as:

> a resource sited close to customers that can provide all or some of their immediate electric and power needs and can also be used by the system to either reduce demand (such as energy efficiency) or provide supply to satisfy the energy, capacity, or ancillary service needs of the distribution grid. The resources, if providing electricity or thermal energy, are small in scale, connected to the distribution system, and close to load.

See Kiera Zitelman, *Advancing Electric System Resilience with Distributed Energy Resources: A Review of State Policies*, NARUC, April 2020, at 6 ("NARUC DER Article"). In other words, DERs are localized sources of power or storage that either operate independently of the grid or are connected to the grid but have the flexibility to disconnect and operate independently by using a local energy generation source and/or stored power. Two examples of DERs are customer-sited generation, which can be customer or utility-owned, and microgrids, which are often owned by a utility.

Resources in Texas at Executive Summary (Nov. 2019), https://www.texasadvancedenergy.org/?utm_campaign=Press%2FMedia%20Outreach&utm_source=hs_email&utm_medium=email&utm_content=79319687&_hsenc=p2ANqtz-_6WJZ-QlaBKRgtxJJYkftRdDBB0a5YjjObxASaqg1ffEX1ofI-I4yTYF0YZXrvbTqLRwHTZpcqNj-5_gi7RcTkTrRwj5YckStP4lK6hPBVgJDJqtc&_hsmi=79319687 (last visited June 8, 2021).

One of the many benefits of DERs is helping to improve system reliability and resiliency by providing dispatchable generation resources that supply power when electricity from the utility is no longer available. DERs like customer-sited generation can operate independently from the grid, for example, by providing back-up generation for a large commercial and industrial ("C&I") customer, work in conjunction with other generation resources or storage located within a defined electrical boundary, also known as a microgrid,[3] and/or inject power back onto the grid. During a power outage, a customer-sited dispatchable generation resource, whether operating alone or within a microgrid, allows one or more customers to be self-sufficient during the power restoration process. This allows the utility to focus its restoration efforts on other areas and may help reduce restoration time and costs.

There are practical benefits to having a facility like Walmart operational during and after severe weather events, which is possible if the customer has access to on-site generation resources whether owned and operated by the customer or the utility. In Walmart's experience, the goods and supplies available at its retail stores, including bottled water, batteries, cell phones, food, and even basic necessities, are often in high demand from customers, utility personnel, first responders and even aid/assistance organizations during severe weather and other emergency events. Walmart is well-positioned to provide that assistance due to its extensive operational experience during and after severe weather events across the country including hurricanes, heat waves, and severe cold weather like the Winter Storms.

Walmart is not the only entity providing necessary goods and services during severe weather events. Grocery stores, hardware stores, gas stations, and pharmacies also provide

[3] The Department of Energy defines a microgrid as "a group of interconnected loads and distributed energy resources within clearly defined electrical boundaries that acts as a single controllable entity with respect to the grid." These multiple DERs may include small fossil generation, solar photovoltaic, and storage. *See* NARUC DER Article at 17.

essential services and basic necessities. In cases where there is a geographic concentration of these types of entities on a common circuit, the utility could consider creating a localized grid, or microgrid, to serve these entities. The Department of Energy defines a microgrid as:

> a group of interconnected loads and distributed energy resources within clearly defined electrical boundaries that acts as a single controllable entity with respect to the grid. A microgrid can connect and disconnect from the grid to enable it to operate in both grid-connected or island mode.[4]

In essence, DERs that are part of a microgrid can be part of and provide power to the grid during normal periods, but can also be disconnected, or islanded, and operate independently from the grid when the main utility systems are compromised by extreme weather events or at other critical times. This flexibility allows critical customers to remain open during severe storms or hurricanes and provide necessary goods and services.

DERs whether customer-specific or part of a microgrid provide generation from sources other than typical utility-owned generation resources. Like an investment portfolio, this diversity of generation resources can ensure that more resources are available during periods of severe weather and grid stress. Moreover, these DERs can very often be provided in a way that is cost effective for all customers. DERs and microgrids have the added benefit that they can ensure that entities providing critical goods and services to the public are able to provide those goods and services when they are most needed.

[4] Dan T. Tom and Merrill A. Smith, *The U.S. Department of Energy's Microgrid Initiative*, The Electricity Journal 25 (8), p. 84 (2012), https://www.energy.gov/sites/prod/files/2016/06/f32/The%20US%20Department%20of%20Energy%27s%20Microgrid%20Initiative.pdf (last visited June 8, 2021).

B. <u>Demand Response Reduces Load Pressures on the Grid in a Cost Effective Manner for All Customers</u>.

While DERs are typically sources of power generation or storage, DR is generally defined as "a reduction in the consumption of electric energy by customers from their expected consumption in response to an increase in the price of electric energy or to incentive payments designed to induce lower consumption of electric energy."[5] By reducing or curtailing demand, customers are able to help the utility balance supply and demand without the need for additional generation. DR can be provided by a customer at the request of a utility or regional transmission organization ("RTO"), where applicable, to help lower energy demand during periods of high traffic and/or electricity costs. DR has proven to be an effective tool to address supply-demand gaps during periods of severe weather. For example, DR was credited with helping to keep the lights on in PJM Interconnection, LLC ("PJM") during the Polar Vortex.[6] Similarly, DR played a critical role in the heat wave experienced in California in August 2020.

Walmart has significant experience with DR throughout the country with over 1,000 stores participating in DR initiatives throughout the United States. These programs span multiple RTOs and Independent System Operators ("ISOs") including ISO New England, New York ISO, PJM, Electric Reliability Council of Texas ("ERCOT"), and California ISO ("CAISO"). Walmart also participates in dozens of local utility DR programs and, at utility or government request, has

[5] *See* Federal Energy Regulatory Commission Staff, *National Action Plan on Demand Response* (June 17, 2010) at 3, https://www.energy.gov/sites/prod/files/oeprod/DocumentsandMedia/FERC_NAPDR_-_final.pdf at 3 (*quoting Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, FERC Stats. & Regs. ¶ 31,281 (2008), *order on reh'g*, Order No. 719-A, 74 Fed. Reg. 37,776 (Jul. 29, 2009), FERC Stats. & Regs. ¶ 31,292 (2009), *order on reh'g*, Order No. 719-B, 129 FERC ¶ 61,252 (2009)).

[6] *See* Written Testimony for the Ohio House Public Utilities Committee of Advanced Energy Management Alliance, submitted on October 22, 2019, https://search-prod.lis.state.oh.us/cm_pub_api/api/unwrap/chamber/133rd_ga/ready_for_publication/committee_docs/cmte_h_public_util_1/testimony/cmte_h_public_util_1_2019-10-16-1100_947/hb247ophamiltonwritten.pdf ("AEMA Comments") (last visited June 8, 2021).

provided emergency responses outside of formal programs. For example, Walmart reduced load to help with grid reliability during the 2020 heat wave that hit California[7] and during the Winter Storms.

Not all DR programs are created equal, however. The key to a successful DR program[8] is that the incentive must be sufficient to encourage participation by customers, including performing when called upon, while simultaneously ensuring that the utility's remaining customers benefit from a DR participant's efforts to reduce its demand. Where this balance is achieved, the customer is able to actively participate in lowering its electric bills while simultaneously benefitting the environment (by using less energy) and all customers (by providing a cost effective mechanism to address grid stress).

Indeed, even without the need to address the various issues identified in the March Order and ORS Motion, DR presents excellent opportunities for citizens in South Carolina, and the Commission should evaluate whether robust DR programs currently exist in this State. For example, comments filed by the Advanced Energy Management Alliance ("AEMA") with the Ohio Legislature indicate[9] that DR response participation has saved customers in PJM billions of dollars per year. Oftentimes, benefits go beyond the mere DR program. When a customer can participate in DR, it may cause that customer to make customer-funded investments in its infrastructure to take advantage of DR opportunity. Walmart, for example, has made significant self-funded investments in advanced technology in its operations that allows it to, among other

[7] On August 16, 2020, CAISO notified customers to expect outages and asked customers to participate in voluntary DR due to a record breaking heat wave, noting that participation in DR "can help lower demand and avoid further actions including outages, and lessen the duration of an outage." *See* News Release, California ISO, *Flex Alert issued for next four days, calling for statewide conservation* (Aug. 16, 2020) http://www.caiso.com/Documents/Flex-Alert-Issued-Next-Four-Days-Calling-Statewide-Conservation.pdf.

[8] An example of a successful DR program, a number of Walmart facilities in Arkansas participate in Entergy's Optional Interruptible Service ("OIS") Rider.

[9] *See* AEMA Comments.

things, respond during times of grid stress by reducing its load. In these instances, all customers can benefit from the investments Walmart makes without having to fund those investments. Looking to the future, technology continues to emerge and improve, providing larger customers like Walmart with new opportunities to expand its DR efforts, further reducing stress on the grid in critical times like the Winter Storms, improving grid reliability, and mitigating power outages/shortages in a way that is cost effective for all parties.

CONCLUSION

Customer participation in efforts to close the gap between supply and demand is crucial to providing safe and reliable electric service to customers and fair and reasonable rates during normal operations and especially during periods of severe weather events such as those seen in Texas and surrounding states in February 2021. While there may well be a need for additional generation and/or efforts to shore up the reliability of existing generation, it should not be the only solution to address future extreme weather events. A fulsome and robust view of reliability that incorporates customer participation through distributed energy resources and demand reduction programs should also be included. Walmart appreciates the opportunity to provide comments in this proceeding and looks forward to further participation in this matter.

Respectfully submitted,

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Dated this 11th day of June, 2021.